

Chapter 1: Medicare in rural areas

ISSUE: What are the economic and demographic factors that influence rural markets? How do they affect the supply of health care resources and facilities available to rural residents? What are the implications of diversity among rural markets for Medicare and other public policies?

KEY POINTS: As will be obvious, this chapter is still very much a work in progress. The data that we will present at the meeting on characteristics of hospital market areas will show that:

- the economic base supporting the supply of health services in many rural markets is weak,
- in the West, this reflects a small and/or declining population, often with a disproportionate number of elderly residents,
- although populations are larger, the economic base in the South and East is often weak because of low household income, high unemployment, and high concentrations of minority residents.

Although Medicare's payment policies may need to be better adapted to the diversity of rural market conditions—through low-volume adjustments, modified DSH policies, or improvements in the wage index—many rural markets do not appear to be greatly at risk. Even for those that are at risk, Medicare's policies do not appear to account for more than a small part of the problem. Although the Congress could try to use Medicare's policies to address the broader weaknesses in private markets, this would likely provide only very uneven relief, given variation in Medicare's relative importance.

ACTION: We seek your guidance about whether this chapter is raising the important issues and questions and whether additional information or topics should be raised to provide context for the policy question addressed in the remaining chapters. This chapter will not have recommendations, but it certainly could raise broader questions for the Congress to consider.

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